

lative Audit Division

State of Montana



Report to the Legislature

November 1998

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1998

Office of the Commissioner of Political Practices

This financial-compliance audit report contains the result of our audit of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1998. We issued an unqualified opinion on the financial schedules contained in the audit report. This means the reader may rely on the presented financial information. The audit report contains no recommendations directed to the Office of the Commissioner of Political Practices. The prior audit contained no recommendations.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, will be issued by March 31, 2000. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

November 1998

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1998. The objectives of the audit were to:

1. Determine if the office complied with applicable laws and regulations.
2. Make recommendations for improvement in the management and internal controls of the office.
3. Determine if the office's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1998.

This audit resulted in an unqualified report (page A-1) on the office's financial schedules (page A-3) and no recommendations. Our prior audit report also contained no recommendations. The Commissioner's response to our report is on page B-1.

The office was created by the 1975 Legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the Senate. A four-member selection committee, comprised of the Speaker of the House, the President of the Senate, and the minority floor leaders of both houses of the legislature, submits a list of two to five names of individuals to the governor for consideration. The commissioner can only serve one term.

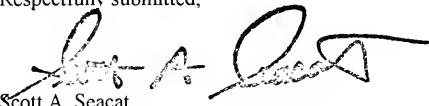
The primary duties of the commissioner include:

1. Monitoring disclosures of financial contributions to and expenditures of Montana political committees and candidates.
2. Registering and monitoring lobbyists' activities and financial disclosure.
3. Investigating alleged violations of the state's campaign financing and practice laws and lobbying disclosure laws.
4. Administration of Montana's ethics laws for legislators, public employees, and public officials.

The 1995 Legislature expanded the commissioner's authorized FTE from 3.25 to 7.25, adding 2 FTE to implement amendments to Montana's Campaign Finance Laws, and 2 FTE to administer changes to Montana's ethics laws. Officials stated there has been little activity and the Ethics Committee contained in section 2-2-138, MCA, has not been formed. The FTE added to administer changes to the state's ethics law are currently vacant.

We thank the Commissioner and his staff for their assistance and cooperation.

Respectfully submitted,



Scott A. Seacat
Legislative Auditor

Appointed and Administrative Officials

**Office of the Commissioner
of Political Practices**

Ed Argenbright, Commissioner

Term expires
December 31, 1998

Dulcy L. Hubbert, Administrative Officer

For additional information contact:

Ed Argenbright, Commissioner of Political Practices
PO Box 202401
Helena MT 59620-2401
Phone: (406) 444-2942

Members of the audit staff involved in this audit were Laurie Evans, Emlyn Neuman-Javornik, and Jim Manning.

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LEGISLATIVE AUDIT DIVISION

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Jim Pellegrini, Performance Audit
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INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Commissioner of Political Practices (office) for each of the two fiscal years ended June 30, 1997 and 1998, as shown on pages A-3 through A-10. The information contained in these financial schedules is the responsibility of the office. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balance of the office for the two fiscal years ended June 30, 1997 and 1998, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

August 31, 1998

Page A-1

**COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<u>General Fund</u>
FUND BALANCE: July 1, 1997 ¹	\$ <u>(25,134)</u>
ADDITIONS	
Budgeted Revenues	<u>3,706</u>
Cash Transfers In (Out)	<u>328,281</u>
Total Additions	<u>331,987</u>
REDUCTIONS	
Budgeted Expenditures	<u>318,711</u>
Total Reductions	<u>318,711</u>
FUND BALANCE: June 30, 1998 ¹	\$ <u>(11,858)</u>

¹ See note 2 on page A-10.

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional Information is provided in the notes to the financial schedules beginning on page A-9.

**COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

	<u>General Fund</u>
FUND BALANCE: July 1, 1996 ¹	<u>\$ (13,092)</u>
ADDITIONS	
Budgeted Revenues	67,081
Cash Transfers In (Out)	215,139
Total Additions	<u>282,220</u>
REDUCTIONS	
Budgeted Expenditures	294,495
Prior Year Expenditure Adjustments	(233)
Total Reductions	<u>294,262</u>
FUND BALANCE: June 30, 1997 ¹	<u>\$ (25,134)</u>

¹ See note 2 on page A-10.

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<u>General Fund</u>
TOTAL REVENUES BY CLASS	
Licenses and Permits	\$ 400
Charges for Services	2,365
Fines and Forfeits	941
Total Revenues	<u>3,706</u>
Less: Nonbudgeted Revenues	
Prior Year Revenue Adjustments	
Actual Budgeted Revenues	<u>3,706</u>
Estimated Revenues	<u>2,950</u>
Budgeted Revenues Over (Under) Estimated	<u><u>756</u></u>
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS	
Licenses and Permits	\$ 200
Charges for Services	(136)
Fines and Forfeits	692
Budgeted Revenues Over (under) Estimated	<u><u>756</u></u>

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	<u>General Fund</u>
TOTAL REVENUES BY CLASS	
Licenses and Permits	\$ 37,550
Charges for Services	3,781
Fines and Forfeits	25,750
Total Revenues	<u>67,081</u>
Less: Nonbudgeted Revenues	
Prior Year Revenue Adjustments	32,750
Actual Budgeted Revenues	<u>67,081</u>
Estimated Revenues	32,750
Budgeted Revenues Over (Under) Estimated	<u><u>34,331</u></u>
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS	
Licenses and Permits	\$ 7,550
Charges for Services	1,281
Fines and Forfeits	25,500
Budgeted Revenues Over (under) Estimated	<u><u>34,331</u></u>

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

PROGRAM EXPENDITURES BY OBJECT

	<u>Administration</u>
Personal Services	
Salaries	\$ 119,341
Employee Benefits	<u>31,199</u>
Total	<u>150,540</u>
Operating Expenses	
Other Services ¹	141,036
Supplies & Materials	3,344
Communications	12,296
Travel	1,668
Rent	7,342
Repair & Maintenance	420
Other Expenses	2,065
Total	<u>168,171</u>
Total Program Expenditures	<u>\$ 318,711</u>

PROGRAM EXPENDITURES BY FUND

General Fund	\$ 318,711
Total Program Expenditures	<u>318,711</u>
Less: Nonbudgeted Expenditures	
Prior Year Expenditure Adjustments	
Actual Budgeted Expenditures	<u>318,711</u>
Budget Authority	<u>324,076</u>
Unspent Budget Authority	<u>\$ 5,365</u>

UNSPENT BUDGET AUTHORITY BY FUND

General Fund	\$ 5,365
Unspent Budget Authority	<u>\$ 5,365</u>

¹ See note 5 on page A-10.

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

PROGRAM EXPENDITURES BY OBJECT

Administration

Personal Services	
Salaries	\$ 127,987
Employee Benefits	33,751
Total	<u>161,738</u>
Operating Expenses	
Other Services ¹	108,005
Supplies & Materials	5,685
Communications	7,489
Travel	654
Rent	4,584
Repair & Maintenance	440
Other Expenses	1,457
Total	<u>128,314</u>
Equipment & Intangible Assets	
Equipment	4,210
Total	<u>4,210</u>
Total Program Expenditures	<u>\$ 294,262</u>

PROGRAM EXPENDITURES BY FUND

General Fund	\$ 294,262
Total Program Expenditures	<u>294,262</u>
Less: Nonbudgeted Expenditures	
Prior Year Expenditures Adjustments	(233)
Actual Budgeted Expenditures	<u>294,495</u>
Budget Authority	352,017
Unspent Budget Authority	<u>57,522</u>

UNSPENT BUDGET AUTHORITY BY FUND

General Fund	\$ 57,522
Unspent Budget Authority	<u>57,522</u>

¹ See note 5 on page A-10.

This schedule is prepared from the Statewide Budgeting and Accounting System.
Additional information is provided in the notes to the financial schedules beginning on page A-9.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1998

1. Summary of Significant Accounting Policies

Basis of Accounting

The Office of the Commissioner of Political Practices uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Fund. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include entire budgeted service contracts even though the office received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment.

Accounts are organized in funds according to state law. The office uses the following fund:

Governmental Fund

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Notes to the Financial Schedules

2. **General Fund Balance** The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. Each agency records cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets the office has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 1997 and June 30, 1998.

3. **Annual and Sick Leave** Employees at the office accumulate both annual and sick leave. The office pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. The office absorbs expenditures for termination pay in its annual operational costs. At June 30, 1998, the office had a liability of \$31,199.

4. **Pension Plan** Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contribution to PERS was \$8,590 in fiscal year 1996-97 and \$8,119 in fiscal year 1997-98.

5. **Other Services** These expenditures consist primarily of contracted legal services. The office contracts with the Agency Legal Services Bureau, Department of Justice and private attorneys to represent the office in legal proceedings.

6. **Litigation** Two outstanding legal actions involving the Commissioner's Office may have some financial impact. In both instances, there has been no judgment, nor has any trial date been set. In the event of an unfavorable outcome against the office, the other parties have indicated they may request the court to require the state to pay their attorney fees. The amount of these fees, if any, cannot be estimated at this time.



COMMISSIONER OF
POLITICAL PRACTICES

STATE OF MONTANA

ED ARGENBRIGHT, Ed.D.
COMMISSIONER
TELEPHONE (406)444-2942
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October 30, 1998

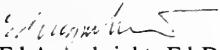
Scott A. Seacat
Legislative Auditor
P. O. Box 201705
Helena, MT 59620-1705

Dear Mr. Seacat:

This letter is in response to your recent financial compliance report for the two fiscal years ended June 30, 1998. I'm pleased with the results in this unqualified report with no recommendations.

My staff and I appreciated the professional approach used by Jim Manning and Emy Neuman-Javornick.

Sincerely,


Ed Argenbright, Ed.D.
Commissioner

Enclosure: Your draft report as requested

